

LEWIS COUNTY INVESTMENT POLICY

FOR FUNDS IN THE CUSTODY OF THE TREASURER

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I. Introduction

This Investment Policy defines the parameters within which funds are to be invested by an investment official assigned by the Lewis County Treasurer. This policy also formalizes the framework, pursuant to RCW 43.84.080 for the Lewis County Finance Committee and the Lewis County Treasurer's investment activities to ensure effective and judicious management of funds within the scope of this policy. These guidelines are intended to be broad enough to allow the Lewis County Treasurer's designated investment staff and investment Adviser to function properly within the parameters of responsibility and authority, yet specific enough to adequately safeguard the investment assets.

II. Governing Authority

The Lewis County Treasurer's investment program shall be operated in conformance with Washington Revised Statutes and applicable Federal Law. All funds within the scope of this policy are subject to regulations established by the State of Washington including those enumerated in Chapter 36.29 of the Revised Code of the State of Washington.

III. Scope

This investment policy applies to activities of the Lewis County Treasurer with regard to investing the financial assets in the custody of the Treasurer. These funds are accounted and reported for in the **Lewis County Annual Financial Report** and include:

1. General Fund;
2. Special Revenue Funds;
3. Debt Service Funds;
4. Capital Project Funds;
5. Enterprise Funds;
6. Internal Service Funds;
7. Trust and Agency Funds;
8. Any new fund, unless specifically exempted.

There are instances when a Lewis County department fund, special purpose fund, or taxing district requests that the Treasurer's Office make an investment with a specific term for one of their funds. Arbitrage and bond refunding considerations are examples behind such requests for investments with particular term characteristics. The yield objective and performance standards discussed below in this investment policy clearly cannot be applied to such instructions, which are solely the responsibility of the entity making them.

In order to have the dollar volume and flexibility to obtain the highest possible yield while protecting the safety and liquidity of the funds, the Treasurer may pool funds under

its jurisdiction so long as the original identity of the funds is maintained and the earnings are distributed proportionately.

IV. General Objectives

The primary objectives, in priority order, of the Lewis County Treasurer investment activities shall be:

1. Safety

Safety of the principal is the foremost objective of the investment program. Investments of the Lewis County Treasurer shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To obtain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. The goal will be to mitigate credit risk and interest rate risk.

2. Liquidity

The Lewis County Treasurer's investment portfolio will remain sufficiently liquid to enable Lewis County and its taxing districts and non-taxing districts to meet all operating requirements that might be reasonably anticipated.

3. Return

The Lewis County Treasurer's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account investment risk constraints and the cash flow characteristics of the portfolio.

4. Special Considerations

Where possible, funds may be invested for the betterment of the local economy or that of local entities within the State.

V. Standards of Care

1. Prudence

Investments shall be made with judgment and care--under circumstances then prevailing--which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The standard of prudence to be used by investment officials shall be the "prudent person" and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments

2. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

Employees and investment officials shall disclose to the Lewis County Treasurer any material financial interest in financial institutions that conduct business, and they shall further disclose any personal financial or investment positions that could be related to the performance of the Lewis County Treasurer's investment portfolio.

Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of Lewis County and shall subordinate their personal investment transactions to those of the Treasurer, particularly with regard to the timing of purchases and sales.

3. Delegation of Authority and Responsibilities

According to Chapter 36.29 of the Revised Code of Washington the county Treasurer or his/her designee is authorized to execute investment transactions dealing with funds under the control of the Lewis County Treasurer. Authority to manage the investment program is derived from the Lewis County Investment Policy as adopted by the Lewis County Finance Committee, ordinances, resolutions and statutes adopted by the county, the state, the federal government and taxing district's within Lewis County.

The Treasurer shall establish written procedures for the operation of the investment program consistent with this investment policy. Procedures shall include reference to safekeeping, master repurchase agreements, wire transfer agreements, custody agreements and investment related banking services contracts. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Treasurer.

The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

VI. Suitable and Authorized Investments

1. Authorized Investment

The types of securities the Lewis County Treasurer' Office is authorized to invest in are limited by statute. The enabling legislation is RCW 39.58 and, as amended, RCW's 35.39, 39.59, 39.60, 43.84.080 and 43.250. The County has chosen to limit the authorized investments to the following:

- i.** Investment deposits including certificates of deposit, with qualified public depositories.
- ii.** Certificates, notes, or bonds of the United States, or other obligations of the United States or its agencies, or of any corporation wholly owned by the government of the United States.
- iii.** Obligations of government-sponsored enterprises (GSE) which are eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve System. (These include but are not limited to Federal Home Loan Bank notes and bonds, Federal National Mortgage Association notes, Federal Home Loan Mortgage Corporation and Federal Farm Credit Bank bonds.)
- iv.** Bankers' acceptances purchased on the secondary market which have at the time of investment the highest credit rating by a minimum of two recognized rating agencies.
- v.** Repurchase agreements for securities provided that the transaction is structured so that Lewis County obtains control over the underlying securities. Additionally, the collateral must meet the authorized investment and maturity constraints of this policy.
- vi.** Commercial Paper provided that the Treasurer adheres with the policies and procedures of the State Investment Board regarding commercial paper
- vii.** Bonds of the State of Washington and any local government in the State of Washington.
 - a.** G.O. bond ratings below AA3 or AA- will not be accepted
 - b.** G.O. bonds with *underlying* ratings below A2 or A will not be accepted.
- viii.** General obligation (G.O.) bonds of a state other than the State of Washington and G.O. bonds of a local government of a state other than the state of Washington.

- a. G.O. bond ratings below AA3 or AA- will not be accepted
- b. G.O. bonds with *underlying* ratings below A2 or A will not be accepted.

ix. State Investment Pool.

2. Diversification

The County will diversify its investment by security type and institution. The constraints will provide for a disciplined guide in making investment decisions.

Diversification Constraints:

ISSUER TYPE	MAX % OF TOTAL PORTFOLIO
Local Government Investment Pool	100%
US Treasury Obligations	100%
Government Sponsored Enterprises -Agency Securities	100%
Per Issuer: FHLB, FFCB, FHLMC or FNMA	30%
Other GSE's	20%
Repurchase Agreements	20%
Banker's Acceptance	20%
Commercial Paper	10%
Certificates of Deposit/Bank Deposits/Savings with financial institutions authorized by the Public Deposit Protection Commission to accept public treasurers' deposits	60%
State and Local Government Bonds (municipal securities)	40%

3. Maturities

To the extent possible, the Treasurer will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, The Treasurer will not directly invest in securities maturing more than five (5) years from the date of purchase. Reserve funds may be invested in securities exceeding five (5) years if the maturity of such investments is made to coincide as nearly as practical with the expected use of the funds. Taxing district funds and non-taxing district funds may be invested in securities exceeding five (5) years providing the investment complies with all other policies in this document and the request is generated by a resolution of the District's governing authority.

- The maximum weighted maturity of the total portfolio shall not exceed 3.0 years. This maximum is established to limit the portfolio to excessive price change exposure.
- Liquidity funds will be held in the State Pool, bank deposits or in money market instruments maturing six months or less.

- The investment portfolio will have securities that mature between 1 day and 5 years.

Exception to 5-year-maturity maximum: Investments may be invested in securities exceeding five (5) years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds.

4. Collateralization

Collateralization at a minimum of 102% of market value of both the collateral itself and any accrued interest are required on repurchase agreements. Collateral is limited to the types of securities authorized above. Collateral is to be governed by the master repurchase agreement initiated between the buyer and seller. All security transactions conducted on behalf of Lewis County are to be on a delivery-versus-payment (DVP) basis. Clear identifiable evidence of ownership (a copy of the safekeeping receipt which details the collateral backing the repurchase agreement) must be provided to the Lewis County Treasurer.

VII. Transaction Counterparties, Investment Advisers and Depositories

The following guidelines are an integral part of this policy:

1. Deposit and investment of county funds shall be made only in those institutions and in those securities in which the Lewis County Treasurer is statutorily authorized and approved to invest including Chapter 39.59 of the Revised Code of Washington.
2. All investments within the portfolio of the Lewis County Treasurer shall be classified as "investments" for purpose of annual or interim financial statements of the county, except for any instrument (e.g. Washington Local Government Pool Investments) which pursuant to GASB Statement NO.9 meet the criteria to be classified as "cash equivalents." Consistent with the cash flow requirements of the county an adequate cash balance will be maintained with county funds to satisfy current operating and claims payment expenditures.
3. The Treasurer will maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained of approved security brokers or dealers selected by credit worthiness. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule). No public deposits shall be made except in qualified public depositories as provided in Chapter 39.58 RCW.
4. All brokers, dealers and financial institutions who desire to do business with Lewis County must have an office or employee in the State of Washington and

upon request must supply the Treasurer with annual audited financial statements, quarterly financial statements, proof of national Association of Securities Dealers certification, certification of having read the entity's investment policy.

5. An annual review of the financial condition of firms will be conducted by the Treasurer. A current audited financial statement is required to be on file for each financial institution and broker or dealer with whom the Treasurer invests.

VIII. Policy Maintenance and Considerations

1. Review

The investment policy shall be reviewed periodically to ensure its consistency with the overall objectives of preservation of principal, liquidity and return, and its relevance to current law and financial and economic trends.

The annual report should also serve as a venue to suggest policies and improvements to the investment program, and shall include an investment plan for the coming year.

2. Policy Adoption and Amendments

This investment policy and any modifications to this policy must be formally approved in writing by the Lewis County Finance Committee and Treasurer.

IX. Internal Controls

Day-to-day procedures concerning investment management and accounting are outside the scope of this policy. The Treasurer is subject to annual independent audit of its internal controls by the Office of State Auditor, and will do its utmost to conform to the recommendations, if any, of those audits. The specific internal controls maintained by the Treasurer are contained in the normal operating procedures of the Office.

X. Performance Standards

The County's investment portfolio will be designed to obtain a market average rate of return during budgetary and economic cycles, taking into account the County's investment risk constraints and cash flow needs.

The liquidity weighted average yield of the total portfolio will be compared quarterly to the LGIP average yield.

XI. Reporting

The Treasurer is responsible for the investment portion of the Lewis County Comprehensive Annual Financial Report, and will prepare such other reports as required by the Treasurer or County Finance Committee.

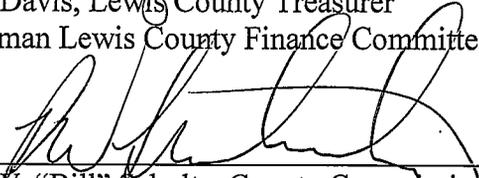
XII. Investment Policy Adoption

This investment policy shall be adopted by vote of the County Finance Committee, and any modifications to it shall be similarly approved. This policy supersedes and replaces prior policies.

Approved by the Lewis County Finance Committee this 20th day of July 2016.


7/20/16

Army Davis, Lewis County Treasurer
Chairman Lewis County Finance Committee



Paul W. "Bill" Schulte, County Commission Chairman
Member, Lewis County Finance Committee



Larry E. Grove, Lewis County Auditor
Secretary, Lewis County Finance Committee

